

The Alaska Railroad Looks South and North and West

Under Construction

The Alaska Railroad looks south

By TOM KIZZIA

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The Alaska Railroad, not much older than the land it helped to open, is on the verge of a mid-life identity crisis these days.

Conceived by Congress in the early years of this century as a tool for developing the Alaska Territory, the railroad in recent years has been occupied with trying to pay its way, its fortune riding on the turns of the local economy—rising, these last few years of the Trans-Alaska Pipeline, and now sinking again.

Today, shortages of raw materials make the development of new areas and industries in Alaska appear likely, and that will almost certainly mean new traffic for the centrally located railroad. Perhaps more significantly, businessmen and legislators are using the time now to investigate the many ways of developing frontier mineral and petroleum fields, and the answer they're coming up with is the same one that occurred to Congress back in 1914.

The state of Alaska recently completed a preliminary study of a rail link-up via Canada with the "lower 48," and it is now trying to designate a utility corridor in hope that such a rail project will soon be undertaken, perhaps jointly by the state and federal governments. The report argued that such a railroad could eventually pay for itself, and cited enthusiastic responses from potential shippers who were

queried about the proposal.

A rail connection with the south is receiving the most attention right now, other extensions of the ARR north and west from Fairbanks are getting a second look. Those extensions were promoted in the late 1960s by then-Governor Wally Hickel, who as a private businessman in Anchorage today is still a firm believer in the future of railroads in "the cold country" (see p. 16).

The present management of the Alaska Railroad is leaving such discussion to those people who will have to pay for the railroad, namely the shareholders. Little more closely now that the conversation has taken a serious turn. Ultimately, they know that a major political decision will have to be reached before there will be any sign of the substantial front money necessary to extend the federally-owned railroad.

William Dorey, general manager of the ARR, puts it simply: "The government has to decide whether it wants a finance railroad or the status quo."

Under the Department of Transportation's policy of arranging general managers from other railroads for short terms, Dorey arrived in Anchorage a little more than a year ago from San Antonio, Texas, where he was vice president of marketing. He arrived at a strange time for the 470-mile railroad.

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was able to operate comfortably in the black, due largely to the increase in shipments related to construction of the Trans-Alaska Pipeline. A net profit of nearly \$10 million for those two years was plowed back into capital improvements, particularly right-of-way improvements and the locomotive fleet, which had been neglected during years of break-even or near-break-even operations.

During those long years there had been no help from the federal government, but that finally changed, too. Fifteen million dollars came north from Washington, the first federal money since reconstruction of the railroad following the Good Friday earthquake of 1964.

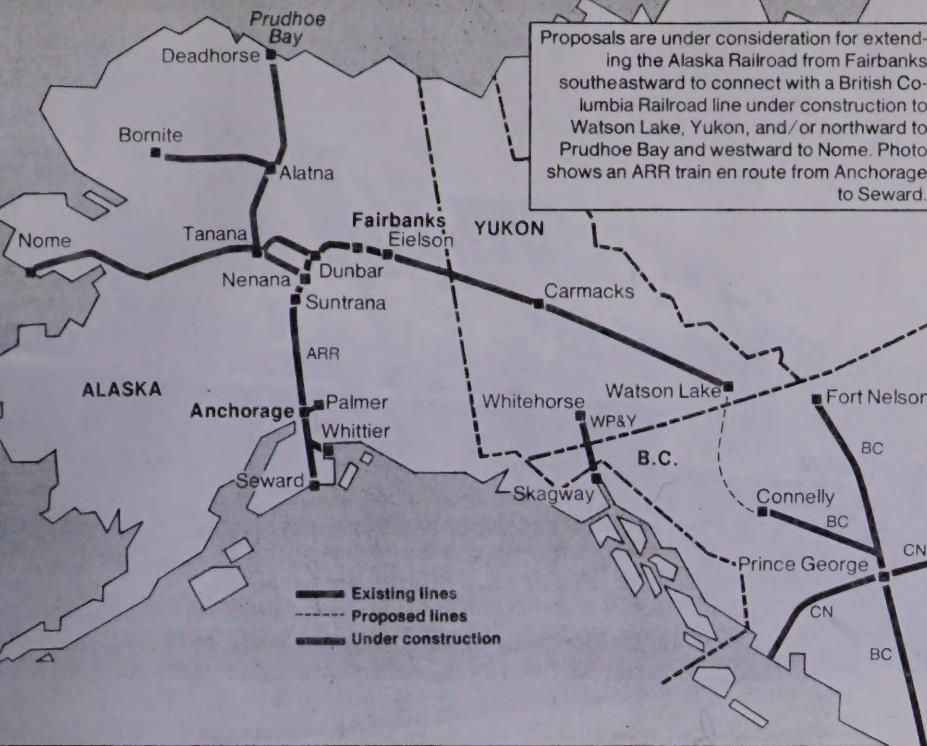
With money suddenly coming in, sources say ARR was able to purchase new GP-40-2 EMUs, 3,000-ton hoppers, and cut the average age of its power fleet from 28 to 18.4 years. This year the rebuilding of 21 S.S. Johnson class locomotives is included, plus 100 new 70-ton gondolas for \$1.5 million. And with help from Congress, the railroad is shortly acquiring the state of Oregon that had been the state of Washington when it became a river.

Of the \$52 million in revenue for 1976, \$18 million was directly attributable to pipeline activity; this year's revenue projections call for just \$34.5 million. "We're shooting for break even," says Dorey. "If we don't make it, we will have a problem."

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The Alaska Railroad looks south—an

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With money suddenly coming from two sources, the ARR was able to purchase 11 new GP-40-2 EMD 3,000-hp locomotives and cut the average age of its locomotive fleet from 26 to 18.4 years. There was also the rebuilding of 10 1,500-hp road-switcher class locomotives, and the purchase of 100 new 70-ton-capacity flat cars for \$2.3 million. And with \$6 million more expected from the federal government this year, the railroad is slowly emerging from the state of disrepair that had been the result of Washington's benign neglect. But those times were just about over when Dorey arrived.

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Tom Kizzia, who worked briefly for Railway Age as an associate editor after his graduation from Hampshire College, is now living (and writing) in Homer, Alaska.

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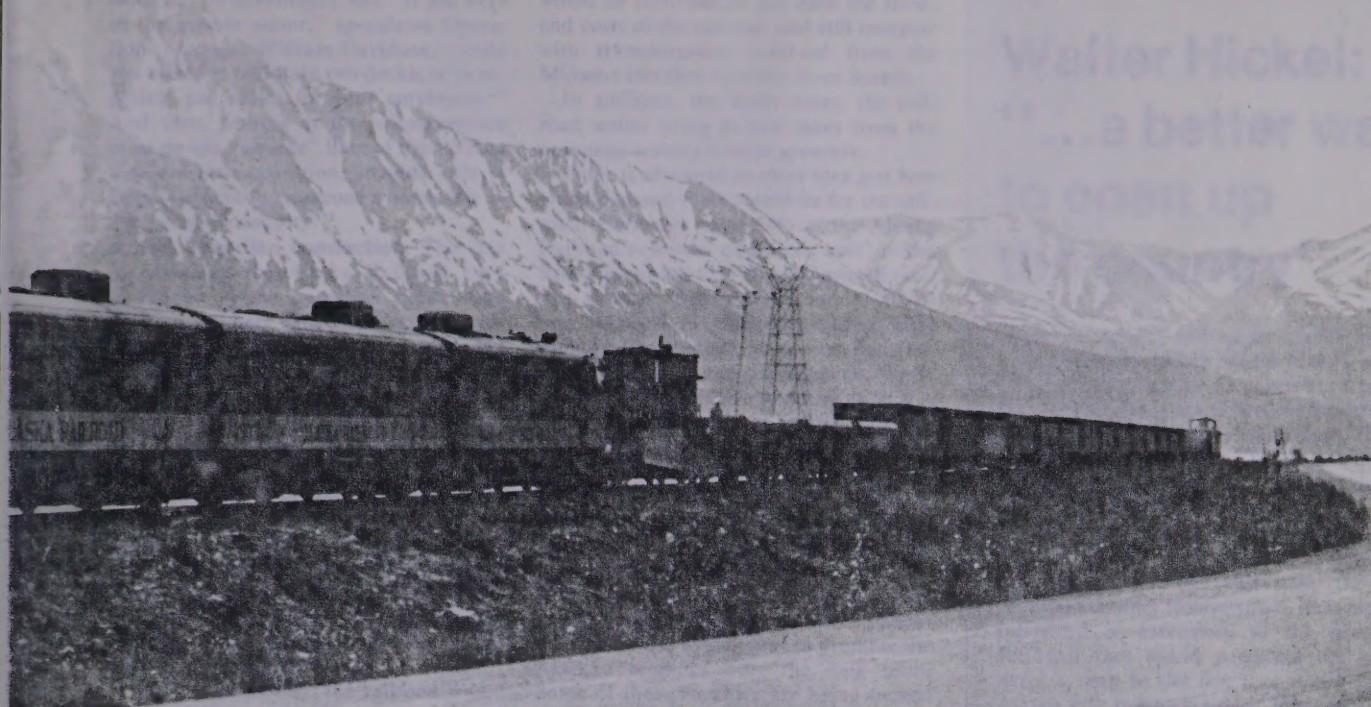
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North and west

cash flow even though we may not cover total depreciation."

• **Silver-lined clouds.** The familiar Alaskan cloud of the bust-to-come has hung over the pipeline activity all along, though a general pickup in statewide activity seems likely to keep the state's economy from sagging to pre-pipeline levels. Fortunately, there are plenty of places where Dorcy can find a silver lining these days.

The first thing that usually comes up when Alaskans talk about the post-pipeline era is the next pipeline, one to carry natural gas from Prudhoe Bay. That pipeline is now expected to run through the state at least to Fairbanks, bringing back some of the industrial frenzy of the past few years.

There are other large-scale construction projects that could have almost as large an impact on railroad traffic, such as the hydroelectric plant proposed at Devil's Canyon, to supply electricity to what Alaskans still refer to as "the railbelt." Then there is the plan to move the state capital from hard-to-reach Juneau. Last November state voters selected a railbelt site between Anchorage and Fairbanks.

Even without particular large-scale projects, current projections show a 7% annual increase in traffic for the ARR.

In fact, the unit-train concept has just been introduced on the railroad for the first time, making a gravel run from Anchorage to Palmer on a 12-hour cycle. Anchorage is now a metropolis with its own growing demands; no longer is the ARR

just in the export-import business.

Natural resources would still be the key to this steady rise. An index of the amount of effort being put into resource development in Alaska right now is that hard-rock mineral exploration alone last year cost slightly more than all this year's anticipated revenue for the ARR.

Though the withdrawal of 80 million or more acres for the national park and wildlife refuge systems is attacked by some businessmen as a block to development activity, there is likely to be a net increase in activity with the accompanying cession of 40 million acres of more commercially-valuable land into private Native hands.

Oil and gas exploration off Alaska's southern coast has had a nice impact on the railroad. For the first time, trains running south from Anchorage to meet incoming ships at the port of Seward are making money on their southbound runs, carrying pipe, muds, and other supplies to the staging area there.

Even the end of pipeline construction was a small boon: Heavy equipment that was once carried north for the project is now being shipped out to keep the Alaskan market from being flooded, and for the railroad that could mean as many as 2,000 carloads.

If the federal government decides to operate a status quo railroad for the next few years, the feeling around ARR headquarters in Anchorage is that the government will at least have itself a steady break-even business—provided the needed transfusions of capital don't stop.

• **An identity problem.** Though it may no longer be unique among railroads, the ARR has a long history of trying to find a place for itself somewhere between private company and government agency. The impression a visitor gets in the Anchorage offices is that these are not bureaucrats, they are businessmen, railroaders learning to work more closely than usual with the federal government.

Sometimes the railroad's managers feel that being in the government makes it hard to change, to respond quickly to new markets or to unburden themselves from old ones, like the few bush people along the rail line who were able to exert enough political pressure this summer to keep the railroad from doing away with the traditional flag stops.

The flag stops are only a slight annoyance, however, embraced by the larger problem of passenger service in general. Right now there is some state subsidy for summertime passenger runs to roadless Whittier, but for the most part the passenger service is subsidized by the ARR's freight operation.

The ARR is looking into a more Amtrak-like arrangement to pay for the passenger operation, according to Dorcy. "There's no reason why the railroad couldn't be operated by private enterprise," he admits, but he quickly points out that it would have to be run much differently: "You would be far more restricted as to what services you could offer."

After all, being an agency of the govern-

ment has its advantages, too. "If you were in the private sector," speculates Operations Manager William Davidson, "could you afford to maintain two docks, or to negotiate pay scales for your employees?" And then, smiling at the misconception most people "outside" have of the ARR as a quaint little operation, he adds, "Or to stop anywhere for someone who prefers to live, er, in the country?"

• **The Canadian connection.** The idea of extending the Alaska Railroad from Fairbanks to the Canadian border and hooking up there with a rail system leading to the lower 48 is not a new one. But the attention it is receiving now is more serious than ever before, according to Ronald S. Walt of the Alaska Department of Commerce and Economic Development.

The results of a preliminary study by the state Division of Economic Enterprise have encouraged the legislature to proceed with a more detailed engineering study. An appropriation of \$865,000 for the study was hatched by Governor Jay Hammond, however, so the study will have to get under way with only \$150,000.

As it is envisioned, the railroad would

would be sufficient to pay back the front-end costs of the railroad and still compete with transportation overland from the Midwest and then by water from Seattle.

In addition, the study notes, the railroad would bring in new taxes from the economic activity it helps generate.

There is of course no clear idea just how much demand there would be for the railroad. Currently some 24% of the Alaska Railroad's traffic originates east of the Rocky Mountains. With a 7% growth rate, this reaches slightly more than 600,000 tons inbound in 1985, the earliest that such a railroad might be in operation. Together with projected growth on the White Pass & Yukon, there should be at least a million tons ready for the railroad in 1985.

Obviously, the railroad is going to have to depend on its own ability to generate traffic if it is to be more than a government subsidy to northern shipping. On the other hand, the state of Alaska may decide to make it just that. The state stands to take in as much as \$1 billion a year in oil and gas royalties, and is now casting about for ways to use that money to promote the Alaskan economy over the long term. Some of those royalties are being tucked

Walter Hickel: "...a better way to open up the country"

Walter J. Hickel arrived in Alaska as young man just before World War II, and 26 years later became its governor, a post he left after two years to become Secretary of the Interior under Richard Nixon. No a prominent businessman in Alaska, he is frequently mentioned as a possible candidate for governor in 1978.

Hickel has had a strong interest for years in the role railroads have to play in developing the arctic and subarctic. A twentieth century frontiersman, he is more interested in extensions of the Alaska Railroad that would penetrate the wilderness than in the one that would link Alaska with railroads in the "lower 48."

As governor, he created the North Commission, which proposed extension north and west from Fairbanks, including a rail line to Prudhoe Bay.

Shortly after the Trans-Alaska Pipeline began carrying oil south from Prudhoe Bay this summer, Railway Age sent Tom Kizzia to Hickel's Anchorage office to talk about that line and others that may still be built into the north.

RA: This may be a strange question to ask so soon after the start-up of the pipeline, but at one point weren't you saying there was a better way to get oil down from Prudhoe Bay?

HICKEL: Well I didn't really say it that way. I said it was a better way to open up the country, and that's where the misinterpretation was. I said you have to get things and people in, year round. We did talk about the possibility of taking out maybe 100,000 barrels a day.

The real thing that's going to have to happen in the next 30 years in the development of that field is taking material, mud, pipe, people, everything into that area and then bring out what you can. You're never going to bring other resources out, either, with a truck. People have always thought of railroads in terms of taking things out. In the arctic it's a two-way street. The Russians know that, the Canadians know that. The Canadians nearly always have their railroads precede any kind of development in the north country.

When I first became governor, I formed the North Commission to extend the railroad on up to Prudhoe Bay and on over to



roughly follow the route of the Alaska Highway into Canada. The route passes through relatively good construction terrain—all river valleys, with no mountain passes.

Already the British Columbia Railway is working its way north. It is half finished with a 400-mile extension to Dease Lake. From Dease Lake it will be another 120 miles to the Yukon Territory, where the line can hook up with the White Pass & Yukon. In the event of such a historic link, the White Pass is making plans to convert from its narrow gauge to a standard one. In all, it would be 586 miles across the Yukon to the Alaska border, should the Canadians agree to the transcontinental railroad.

"Once we have reached a certain stage Canada has said they'd be interested in joining the study, which could take as much as two years," says Walt.

Current cost estimates for such a railroad run about \$1.2 million per mile, and a major objective of the state study was to see whether enough tonnage could be generated to produce competitive rates. The preliminary answer was that a "modest" tonnage of three to four million tons a year

away by the voters in a Permanent Fund, where an expanding state budget can't get at it.

"It cannot be emphasized too strongly that the route under consideration is a transcontinental trunk route, not a resource railroad," says the state study. "It is historically clear that the population and its' demand for consumer goods, development goods, and agricultural products has outstripped the capacity of any one mineral deposit or agricultural area."

So traffic over a rail connection between Alaska and the lower 48 would probably be fairly steady over the long term. Rail extensions north and west from Fairbanks, such as those advocated by former Governor Hickel, would be resource railroads in the more classic sense.

Either way, as government agencies once again begin talking about putting public funds into railroad projects that will help develop the country, the Alaska Railroad cannot help being reminded of its origins as a long-shot venture. In an area with the economic potential of the Upper 48, it may once again be true that today's resource railroad is tomorrow's status quo business. ■

Nome. And I am absolutely convinced that had the railroad been started when we proposed it, in 1967 and 1968, they could have thrown the railroad away for the amount that it cost against the tremendous amount it cost to build the pipeline. Then you literally have the right of way, you roll the pipe off a flatcar, you have it there, you move the people in and out, it's self-contained, you don't need filling stations, it can be electrified, and that's the way the arctic should work. Just because we didn't do it this time doesn't mean it won't be done. I think it was a lack of vision, on many people's parts. Not only the government but the industry. The oil companies opposed the railroad in its conception.

RA: Why was that, do you think?

HICKEL: Because they were fearful that it might establish a tariff in the transportation of oil. And that might be in competition with a pipeline. But that wasn't my intent really in building a railroad. It had to do with many things. It's an all-weather operation. You don't have to worry about ground fog, ice fog. And if it were in competition, so what? It can't handle 1.2 million barrels a day.

RA: The railroad in that case would have replaced the haul road but not necessarily the pipeline?

HICKEL: Absolutely. If they were really concerned with the environment, they would have thought that out. They forced the highway. It would be so much better, in my opinion, if that highway were a railroad. I withdrew a corridor which I called the transportation corridor. In that transportation corridor I was thinking of utilities, roads, railroads, pipelines. That's the finest transportation use of the arctic.

RA: Have conditions changed sufficiently in the past 10 years that things can be done differently now?

HICKEL: I think so. I think they've learned a lot with the pipeline. I think they are becoming comfortable with the unknown of the arctic. Lack of knowledge causes fear, fear causes frustration, frustration makes you want to just grab onto things you can understand. The point I'm trying to make is that no one has studied the cold country like they should have. In a temperate country you can just work against it. There's no way that man is going to change the arctic. The arctic will change man. In a cold country you have to work with it. And the railroad is the way to work with it. It can go vast distances as a self-contained thing. Your service facilities can be your terminals. But I also know that if a man doesn't understand or accept an idea he will fight it.

RA: You obviously see a great role for the railroad in the north.

HICKEL: It's nothing new. The Russians were sold the idea in 1870 by an American engineer named Perry McDonahoe Collins. And then around the turn of the century they completed 5,000 miles of railroad which they called To the Great Ocean; it went from Vladivostock back to Central Europe. Right now they're adding a 2,000-mile loop to the Lake Baikal area, and they call it The Project of the Age.

There wouldn't be an Anchorage today, probably, if there wasn't the railroad that was envisioned by Judge Wickersham

amount they could have saved in 1968 and 1969, they didn't seem to care about that. They didn't want a railroad.

RA: The kind of project you're talking about would require a lot of financing and forethought. Do you think private industry could ever hope to finance and build something like this?

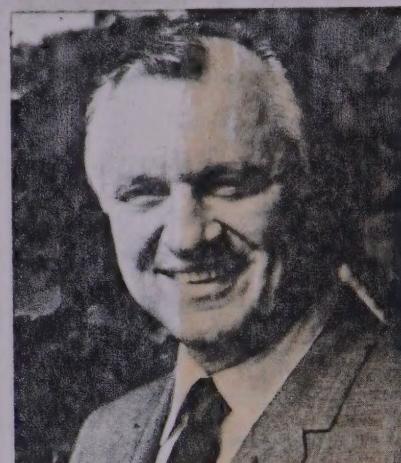
HICKEL: In cold countries generally a government leads the way, because of the vastness and because of the tremendous amount of land that's owned by the federal government.

RA: Although private industry did build the pipeline.

HICKEL: After they had the resource. There's no way they would have built that thing without that resource. If they could give the land away like they did with the building of the transcontinental railroads—but they won't do that. You cannot own the land without obligation. Now that the governmental units own the land, they have an obligation not to lock it up, but to allow people to go there, things to happen.

RA: Do you think it would be the federal or the state government that would lead the way?

HICKEL: It wouldn't make any difference. I would think the state would be capable of handling some of this now.



"In a cold country, you have to work with it. The railroad is the way to work with it."

Walter J. Hickel

back around 1914, when they authorized a railroad not to exceed 1,000 miles in length for the purpose of opening up the country. Not to make money, but to open up the country. We've only built about half of that.

RA: What about environmental opposition to such a major building project?

HICKEL: The environmental considerations are far better with a railroad. The railroad is the finest kind of way to open up the country. [Environmentalist] David Brower admitted this to me on a television program in New York in 1971. He said we made a mistake in that we should have had a railroad. They opposed it when I proposed it.

RA: Looking at, say, the Seward Peninsula extension, talking about it as a resource railroad, don't you run into the old bind where, on the one hand, the railroad is needed to make it economical to get the minerals out but, on the other hand, you need to show the mineral shipping could justify the construction cost?

HICKEL: Possibly. But in spite of the

RA: What kind of an impact do you think the rail connection with the lower 48 through Canada would have on Alaska?

HICKEL: It would help. But then it competes with water transportation. If you were shipping something from Salt Lake City to Anchorage by rail, you couldn't compete with water transportation from Seattle. And this is a north country. So once again I think they're thinking wrong. They're trying to figure out how to get to the lower 48. I'm trying to figure out how to get to the arctic. That's the reason I put the pieces together for Prudhoe Bay in three weeks after I was governor. I wasn't thinking south. I was thinking north.

The railroad can be a people-mover, it can be an oil-mover, it can be a thing-mover, it can be a resource-mover, it's a beautiful way to see that country. I once said, take it on across the Bering Sea. Time magazine published it, 1967. They called it the Vladivostock, Nome & the Santa Fe. And why not?

Although it would be an accommodation to tie in with the Canadian system, it would not solve the problem. We really are not trying to get south as much as we are trying to get north. Yes! They're still thinking about getting south. Hey, that's behind me. I've been going north for 37 years.

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